



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 2/10/2003

GAIN Report #CA3009

## Canada

## Livestock and Products

## Semi-Annual

## 2003

Approved by:

**Gary C. Groves**

**U.S. Embassy**

Prepared by:

George C. Myles

---

**Report Highlights:** For 2003, a decline in beef production and a modest increase in pork output are forecast. The anticipation of a cattle herd buildup last year was cut short by severe drought in the West which led to tight feed grain supplies, higher feed grain prices, declining feedlot placements, and record feeder cattle exports. Higher Canadian pork output in 2003 is expected to reflect rising slaughter capacity and increased efficiencies from large scale hog production units. Canadian exports of live hogs to the United States are forecast to be close to the 6.0 million head level.

---

Includes PSD changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1], CA

Executive Summary .....	Page 2
Section I. Cattle and Beef .....	Page 3
Cattle Numbers .....	Page 3
Cattle Numbers PSD .....	Page 4
Beef PSD .....	Page 5
Cattle Prices .....	Page 6
Beef Trade .....	Page 6
Beef Export Outlook .....	Page 6
Beef Import Outlook .....	Page 7
Policy Update .....	Page 7
Country of Origin Labeling .....	Page 7
Year 'Round Cattle Imports .....	Page 8
Section II. Hogs and Pork .....	Page 9
Pork .....	Page 10
Hog Prices .....	Page 11
Live Hog Exports .....	Page 12
Pork Trade .....	Page 12
Exports .....	Page 12
Imports .....	Page 12
Policy Update .....	Page 13
Mexican Anti-Dumping Action Against U.S. Pork .....	Page 13
Country of Origin Labeling .....	Page 13
Environmental Issues and Challenges .....	Page 13
Contact .....	Page 14

## Executive Summary

\* For 2003, cattle marketings are forecast to fall moderately (3-4%) from the 2002 level. The industry is characterized by lower cattle supplies, reflecting the impact of last year's drought, and the continuing affects of tight feed grain supplies, higher feed grain prices, and declining feedlot placements.

\* Exports of feeder cattle to the United States reached a record level of about 475,000 head during 2002. Only two years earlier, ample Canadian barley supplies bolstered demand by Canadian feedlots to import record numbers of U.S. feeder cattle.

\* The United States is the primary destination for Canadian beef exports. During the first eleven months of 2002, 83% of total Canadian beef exports were destined for the U.S. market.

\* Canada's cattle industry is opposed to U.S. Country of Origin Labeling regulations and has a marketing strategy to target foodservice sales in the U.S. market and displace U.S. beef in Mexico and Asia and in eastern Canada, if the COOL provisions are implemented in their present form.

\* Increases in Canada's hog industry are driven by rising pork exports and increasing demand for Canadian feeder pigs in the United States.

\* A modest 2-3% increase in Canadian pork output is forecast for 2003 reflecting rising slaughter capacity, increased industry efficiencies from large scale hog production units, and hog producers' anticipated response to predictions for stronger market prices this year.

\* Canadian pork exports increased an estimated 15% in 2002 to 835,000 metric tons (cwe). Post projects a lower rate of increase for 2003 with total exports projected at 875,000 metric tons. The United States is the major market for Canadian pork accounting for about 60% of total exports.

\* Canadian hog industry officials are concerned over the potential affect that Mexico's anti-dumping investigation into U.S. pork may have on future U.S. hog market prices (and U.S. pork supplies) which would be immediately felt in Canadian hog markets.

## Section I. Cattle and Beef

### Cattle Numbers

Canada's cattle herd contracted throughout 2002. The anticipation of an inventory buildup was cut short by severe drought in the western cattle producing region which resulted in higher than expected female marketings and increased cow exports. Canadian cattle slaughter during 2002 advanced about 3% from the year earlier. There was a reversal from the pattern in recent years in feeder cattle trade with the United States. Canada became a net exporter of feeder cattle. For 2003, cattle marketings are forecast to fall moderately (3-4%) from the 2002 level reflecting the impact of last year's drought and the continuing effects of tight feed grain supplies, higher feed grain prices, and declining feedlot placements.

Exports of feeder cattle to the United States reached a record level of about 475,000 head during 2002. Only two years earlier, ample Canadian barley supplies bolstered demand by Canadian feedlots to import record numbers of U.S. feeder cattle. But, with the lack of profitability in Canada's feedlot sector throughout the year related to tight feedgrain supplies and high prices, U.S. buyers outbid western feedlots for Canadian feeder cattle. Combined with slaughter cattle exports, total Canadian live cattle exports to the U.S. reached about 1.65 million head, the highest number ever recorded. If more normal moisture conditions for feedgrain crops in western Canada prevail in 2003, resulting in the recovery of Canadian barley supplies and lower prices for western feed grains vis-a vis U.S. corn, feeder cattle exports to the United States may be expected to decline.

Note: Statistics Canada is schedule to release its survey of Livestock on Farms at January 1, on February 19, 2003. Estimates and projections in this report are based on the livestock inventory numbers available at the time of writing.

## Cattle Numbers PSD

PSD Table						
Country	Canada					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	13608	13608	13700	13700	13440	13400
Dairy Cows Beg. Stocks	1091	1091	1084	1084	1075	1075
Beef Cows Beg. Stocks	4602	4602	4636	4636	4450	4640
Production (Calf Crop)	5606	5606	5600	5700	5400	5760
Intra EC Imports	0	0	0	0	0	0
Other Imports	302	235	125	130	95	100
TOTAL Imports	302	235	125	130	95	100
TOTAL SUPPLY	19516	19449	19425	19530	18935	19260
Intra EC Exports	0	0	0	0	0	0
Other Exports	1308	1308	1600	1650	1300	1500
TOTAL Exports	1308	1308	1600	1650	1300	1500
Cow Slaughter	588	588	650	620	575	600
Calf Slaughter	315	315	320	285	300	300
Other Slaughter	2913	2913	2890	2980	2825	2850
Total Slaughter	3816	3816	3860	3885	3700	3750
Loss	692	625	525	595	485	560
Ending Inventories	13700	13700	13440	13400	13450	13450
TOTAL DISTRIBUTION	19516	19449	19425	19530	18935	19260

## Beef PSD

For 2003, lower Canadian cattle supplies will reduce total beef output in the range of about 3-4% from last year's level. Canadian beef imports may advance slightly, but exports are expected to decline from the record level of 2002 reflecting reduced slaughter levels in Canada.

PSD Table						
Country	Canada					
Commodity	Meat, Beef and Veal				(1000 MT CWE)	(1000 HEAD)
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	3816	3816	3860	3885	3700	3750
Beginning Stocks	26	26	32	32	28	34
Production	1250	1250	1260	1295	1215	1245
Intra EC Imports	0	0	0	0	0	0
Other Imports	299	299	330	310	325	320
TOTAL Imports	299	299	330	310	325	320
TOTAL SUPPLY	1575	1575	1622	1637	1568	1599
Intra EC Exports	0	0	0	0	0	0
Other Exports	574	574	625	610	600	595
TOTAL Exports	574	574	625	610	600	595
Human Dom. Consumption	969	969	969	993	943	975
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	969	969	969	993	943	975
Ending Stocks	32	32	28	34	25	29
TOTAL DISTRIBUTION	1575	1575	1622	1637	1568	1599

## Cattle Prices

The outlook is for firmer Canadian cattle market prices in 2003. Projections for tighter supplies of cattle in both the United States and Canada point to average prices above last year's levels.

Canada: Slaughter Steer Prices				
Monthly Weighted Averages; Alberta				
Units: C\$/hundredweight				
	2000	2001	2002	2003
January	94.90	107.66	105.08	112.00
February	92.46	113.81	107.10	
March	98.55	118.07	109.62	
April	100.25	111.75	98.19	
May	96.59	105.24	94.77	
June	92.73	99.81	90.73	
July	89.52	98.41	90.11	
August	91.71	97.95	92.43	
September	88.54	94.25	94.57	
October	91.98	94.82	97.10*	
November	98.99	96.88	101.80*	
December	107.09	99.07	106.00*	
Annual Aver.	95.00	102.82	98.75*	
*estimate, based on preliminary data				
Sources: StatCan, Livestock Statistics & CanFax				

## Beef Trade

## Beef Export Outlook

Canadian beef exports in the January- November period of 2002 ran 6% above the year earlier level and are poised to reach a record level exceeding 600,000 metric tons, carcass weight equivalent. The United States is the primary destination for Canadian beef exports. During the first eleven months of 2002, 83% of total Canadian beef exports were destined for the U.S. market.

Mexico, South Korea, and Japan account for nearly all of the remainder. China is an emerging

market for Canadian beef. Sales to China are increasing, but are currently minor.

### Beef Import Outlook

Canadian beef imports have increased steadily in recent years. Combined imports from Australia, the United States, and New Zealand account for almost 99% of total Canadian beef imports. Imports of U.S. beef into Canada in the January-November period of 2002 advanced 4.3% over the same period a year ago. The U.S. is a major supplier of imported beef to Canada, mostly to eastern Canada, but aggressive marketing by Alberta's large beef processors has reportedly increased the competition for U.S. high quality beef in the more populous eastern Canada market. Canadian beef industry analysts are quick to point out that should Canada lose U.S. market share due to the imposition of country of origin labeling on Canadian beef, U.S. beef exports to Canada would face stronger competition from increased supplies of western Canadian beef battling for the valuable eastern Canadian market.

Canadian beef imports Canadian imports of beef from non-NAFTA sources are governed by a TRQ system. For TRQ information go to the Department of Foreign Affairs & International Trade website: <http://www.dfait-maeci.gc.ca/~eicb/beef/beef-e.htm>

### Policy Update

#### Country of Origin Labeling

The Canadian and certain provincial governments recently submitted comments under the public comment provisions of the U.S. Country of Origin Labeling regulations. They are available on the website of the USDA's Agriculture Marketing Service: [www.ams.usda.gov](http://www.ams.usda.gov)

Speaking at a conference on trade and border issues, Dennis Laycraft, Exec. Director of the Canadian Cattlemen's Association (CCA) speculated that U.S. cattlemen will have a difficult time complying with the COOL traceback requirements. While Laycraft also believes that the COOL provisions will hurt all North American red meat producers by sending negative messages to consumers, he claimed Canada's beef industry will suffer from reduced (two-way) live cattle trade with the U.S., (citing U.S. packer reluctance to comply with complex COOL auditing requirements) and lower cattle prices. He speculated that if major U.S. retailers adopt policies of handling U.S. beef only, that smaller independents may handle increased amounts of Canadian beef, especially if margin opportunities exist. He stated that the CCA is developing an accelerated marketing strategy to deal with COOL provisions and speculated that COOL impact will result in Canadian beef displacing U.S. beef in Mexico and Asia and in eastern Canada, the stronghold of U.S. beef sales to Canada. The CCA also intends to increase its efforts to export to U.S. foodservice customers, a sector that is exempt from COOL provisions. According to Laycraft, about 50% of Canada's current beef sales to the U.S. are to foodservice.



### Year 'Round Cattle Imports

The United States continues to press Canada to extend its Restricted Feeder Program (aka "the Northwest Cattle Project") to permit year 'round access for U.S. feeder cattle to Canada. Canada states that it is the GOC's intention to prevent the introduction of U.S. endemic cattle diseases that do not exist in Canada and cannot yet accept U.S. feeder cattle outside the October 1- March 31 period. However, the GOC has indicated that an evaluation process is still ongoing.

## Section II. Hogs and Pork

Canada's hog inventory reached a record level in 2002 and hog numbers are forecast to continue to grow in 2003 driven by domestic processor demand to satisfy increasing pork exports and by increasing live feeder hog exports to the United States. For 2003, the pig crop has the potential to exceed 30 million head, more than 20% greater than five years ago.

PSD Table						
Country	Canada					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	13576	13576	14367	14367	14550	14650
Sow Beginning Stocks	1361	1361	1463	1463	1475	1490
Production (Pig Crop)	28191	28196	29500	29500	30100	30200
Intra EC Imports	0	0	0	0	0	0
Other Imports	4	4	5	6	5	5
TOTAL Imports	4	4	5	6	5	5
TOTAL SUPPLY	41771	41776	43872	43873	44655	44855
Intra EC Exports	0	0	0	0	0	0
Other Exports	5344	5344	6000	5800	6000	6000
TOTAL Exports	5344	5344	6000	5800	6000	6000
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	20698	20702	21900	22000	22500	22600
Total Slaughter	20698	20702	21900	22000	22500	22600
Loss	1362	1363	1422	1423	1505	1405
Ending Inventories	14367	14367	14550	14650	14650	14850
TOTAL DISTRIBUTION	41771	41776	43872	43873	44655	44855

## Pork

At this juncture, a modest increase in Canadian pork output is forecast for 2003 in the range of about 2-3%. Market prices were weak during 2002, but Canada's hog industry has evolved in recent years and newer, large scale operations can better withstand low market price periods by increasing contractual ties with Canadian processors. Prospects for lower beef production in 2003 and higher retail beef prices have pork positioned well to realize an increase in domestic consumption.

PSD Table						
Country	Canada					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	20698	20702	21900	22000	22500	22600
Beginning Stocks	33	33	39	39	40	40
Production	1729	1729	1830	1835	1865	1880
Intra EC Imports	0	0	0	0	0	0
Other Imports	91	91	100	92	105	100
TOTAL Imports	91	91	100	92	105	100
TOTAL SUPPLY	1853	1853	1969	1966	2010	2020
Intra EC Exports	0	0	0	0	0	0
Other Exports	727	727	800	835	815	875
TOTAL Exports	727	727	800	835	815	875
Human Dom. Consumption	917	917	954	916	975	925
Other Use, Losses	170	170	175	175	180	180
TOTAL Dom. Consumption	1087	1087	1129	1091	1155	1105
Ending Stocks	39	39	40	40	40	40
TOTAL DISTRIBUTION	1853	1853	1969	1966	2010	2020

## Hog Prices

Weak prices prevailed throughout most of 2002 for Canadian hog producers. The pork sector faces prospects of higher feed costs until at least the fall of 2003. Improved profitability is expected throughout 2003 as a result of higher North American hog market price projections. Some analysts project a significant advance in Canadian hog prices in 2003 in a range between 10-15% above last year.

Canada: Slaughter Hog Prices; Ontario & Manitoba						
Units: \$/kilogram; index 100 dressed						
	ONTARIO			MANITOBA		
	2000	2001	2002	2000	2001	2002
January	1.34	1.38	1.50	1.38	1.41	1.53
February	1.50	1.51	1.67	1.62	1.48	1.63
March	1.57	1.81	1.56	1.63	1.76	1.54
April	1.76	1.86	1.34	1.89	1.83	1.38
May	1.85	1.95	1.34	1.93	1.95	1.38
June	1.79	2.05	1.41	1.85	1.98	1.44
July	1.83	2.04	1.58	1.85	1.98	1.56
August	1.71	2.01	1.49	1.68	1.96	1.51
September	1.59	1.76	1.09	1.58	1.81	1.15
October	1.58	1.60	1.23	1.61	1.64	1.31
November	1.43	1.47	1.16	1.41	1.48	1.23
December	1.49	1.36	1.26	1.50	1.38	1.30
Average	1.62	1.73	1.39	1.66	1.72	1.41
*estimated						
Source: StatCan & AgCan;						

## Live Hog Exports

Live hog exports to the United States reached an estimated 5.8 million head during 2002, a record level. For 2003, slaughter hog exports to the United States are expected to decline moderately reflecting increased Canadian slaughter capacity and growing Canadian pork exports. Although the U.S. Country of Origin Labeling Regulations have added some uncertainty into the future marketing of Canadian feeder pigs to the United States, most industry analysts expect total live hog export volumes to remain substantial during 2003, in the 5.6-6.2 million head range.

Canada: Live Swine Exports to the U.S., Calendar Year, by type								
HS= 0103								
Units: Thousand Head						Jan-Nov	Jan-Nov	
								%
TYPE	HS Code	1999	2000	2001		2001	2002	change
Slaughter	0103.92	2,053	2,019	2,152		1,964	1,804	-8.1%
Feeder	0103.91	2,083	2,336	3,169		2,879	3,426	19.0%
Purebred	0103.10	1	5	23		20	15	-25.0%
TOTALS		4,137	4,360	5,344		4,863	5,245	7.9%
Source: World Trade Atlas								

## Pork Trade

### Exports

Canadian pork exports increased an estimated 15% in 2002 to 835,000 metric tons (cwe). Post projects a lower rate of increase for 2003 with total exports projected at 875,000 metric tons. The United States is the major market for Canadian pork accounting for about 60% of total exports. Japan, Australia, Russia, South Korea and Mexico are the other main export market destinations.

### Imports

In the January-November period of 2002, U.S. pork exports to Canada ran almost 5% above the level for the corresponding period of 2001 and accounted for more than 97% of total Canadian pork imports.

## Policy Update

### Mexican Anti-Dumping Action Against U.S. Pork

Mexico's Secretariat of Economy announced in January the initiation of an official antidumping investigation against U.S. pork classified in tariff codes 0203.11.01, 0203.12.01, 0203.19.99, 0203.21.01, 0203.22.01 and 0203.29.99. The investigation is in response to a petition submitted by the Mexican Pork Council (CMP). The action could have implications for Canada. Canadian hog industry officials are concerned over the potential affect that a future Mexican duty may have on U.S. hog market prices (and U.S. pork supplies) which would be immediately felt in Canadian hog markets. At this juncture, industry observers do not believe that an imposition of a Mexican duty would result in a sudden surge in Canadian pork exports to Mexico, presently the number six market for Canadian pork exports.

### Country of Origin Labeling

Martin Rice, Exec. Director of the Canadian Pork Council told delegates to a Toronto conference on trade and border issues in late 2002 that the U.S. COOL regulations will impose huge costs on the North American livestock and meat sector. While the expectation of the introduction of U.S. country of origin regulations initially sent a chill through the Canadian hog industry, Rice said that since the publication of the COOL voluntary guidelines his industry is studying whether Canadian pork could gain a premium in the U.S. market. He claimed that the industry has had discussions with major U.S. packers on the feasibility of devoting special times for the slaughter of Canadian origin hogs to simplify auditing and identification requirements. Rice believed that the additional costs of COOL would be passed down through the supply chain and result in lower producer prices for hogs throughout North America. He said the Canadian Pork Council was disturbed that the COOL regulation sends a signal to other countries to look for means to discourage imports. Rice said that the policy of the consumers right to know can be taken too far. He believes that the COOL regulation weakens the U.S. and the Canada position on GM labeling. Rice noted that the National Pork Producers Council is on record as opposing COOL.

A report commissioned by the Manitoba Pork Council to study the impact of U.S. Country-Of-Origin-Labeling (COOL) on Canada's hog industry concludes that at best, Canadian hog packers will benefit because pork will trade with the U.S., but hogs won't and Canadian pork may be able to command a premium. At worst, Canada will either lose a substantial export market or retain it only at a significant price discount. Based on it's research, the George Morris Centre, an agricultural think tank, identified alternative scenarios under COOL and estimated their economic consequences. In the negative scenario, it estimates the possibility that the Canadian hog and pork industry could lose over 450 hog farms and farm income totaling over C\$350 million; Canadian feed mills would close; a market for 250,000 acres of cropland would be lost; Including grain farms, losses could be up to C\$750 million in farm income and losses of over 3,000 farms. From a Canadian perspective, the Centre believes certain actions can maximize the probability of having the best possible outcome, including: expanding hog finishing capacity in Canada; accessing and training the labor required for packers to move to two shifts; promoting Canadian Brands in the U.S. or Asian countries; replacing U.S. product in either the domestic or export market, preferably at premium prices. A copy of the full report is available on the

Centre's webpage at: [www.georgemorris.org](http://www.georgemorris.org)

#### Environmental Issues and Challenges

Environmental issues and concerns have slowed hog expansion in Canada. In early 2002, the provincial government in Quebec imposed a temporary moratorium on hog barn expansions, see CA2060, later extended until mid-2004. In Ontario, the provincial government is developing controversial nutrient management regulations that will apply to large, intensive livestock operations and according to some industry analysts, no large scale hog operations can be proposed anywhere in Canada without attracting local opposition and costly regulatory delays. The issue recently resulted in the Taiwan Sugar Co. abandoning its plan to build what would have been Canada's biggest hog production operation near Edmonton, Alberta. The Alberta Court of Appeal overturned approvals earlier granted to the company by the County of Flagstaff, citing two of the proposed five locations. . A well-organized and financed local opposition group carried the case to appeal incurring C\$100,000 in legal fees. The operation would have represented an investment of C\$41 million with capacity for 80,000 sows, which reportedly would have been Canada's largest single hog production facility.

Contact: The FAS/Ottawa office can be reached via e-mail at: [info@usda-canada.com](mailto:info@usda-canada.com). All FAS/Ottawa public reports are available on the FAS webpage: [www.fas.usda.gov](http://www.fas.usda.gov)